LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 6309 | **DATE PREPARED:** Dec 4, 2000
BILL NUMBER: HB 1286 | **BILL AMENDED:**

SUBJECT: PERF and TRF Administrative Issues.

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FUNDS AFFECTED: **X** **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill: (1) specifies that the additional annuity savings account contributions that may be made by a Public Employees' Retirement Fund (PERF) member or an Indiana State Teachers' Retirement Fund (TRF) member may not exceed 10% of the member's compensation. (2) provides that a governing body of a unit that is participating in PERF is not required to request a survey of the estimated cost of participation, and the PERF board is not required to provide an estimate of the costs of participation, when the unit provides that additional classifications of employees will become members of the fund. (3) specifies that, in the case of PERF members other than state employees, an employer may pay all or a part of the annuity savings account contribution for the employees.(4) provides that persons employed by TRF are members of TRF. (5) provides that even if a firefighter is 36 years of age or older, the firefighter may be reappointed as a member of a department if the firefighter can complete 20 years of service before reaching 60 years of age. (6) corrects cross-references to provisions related to police and firefighter disability benefits. (The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: January 1, 2001 (retroactive); July 1, 2001.

Explanation of State Expenditures: (1) This provision specifies that the additional annuity savings account contributions that may be made by a member of PERF or TRF may not exceed 10% of the member's compensation portion (for a total maximum contribution of 13%). The impact would depend upon whether the additional contributions for the annuity savings account are picked up and paid by the employer. The state currently picks up the 3% contribution for the annuity savings account. The state is permitted by the bill to pay for the additional employee contribution, however, no additional state contribution is required. Consequently, this provision does not require an increase in expenditures by the state. The funds affected are the State General Fund (55%) and various dedicated funds (45%). (The percentage split represents the amount each fund contributes in the aggregate to the personal services portion of the State Budget.)

(2) This part provides that a governing body of a unit that is participating in PERF is not required to request a survey of the estimated cost of participation, and the PERF board is not required to provide an estimate of

the costs of participation, when the unit provides that additional classifications of employees will become members of the fund. For PERF, there may be a reduction of administrative expenditures, mostly time, associated with this part of the bill. The fund affected is the Investment Earnings Fund.

(4) This part provides that persons employed by TRF are members of TRF. Currently the TRF has 31 full-time employees. Most of the current employees of TRF are members of PERF. These employees would be required by the bill to transfer from PERF to TRF. Current law, IC 5-10.2-2-8, requires the fund in which the employee was a member to pay the fund responsible for payment of the benefits: (a) the amount credited to the employee in the annuity savings account; and (b) the proportionate actuarial cost of the employee's pension. With this, the transferring employees' past service would be accounted for and paid. The specific impact on the PERF and TRF is likely to be very minor. The funds affected are the Investment Earnings Fund for both PERF and TRF.

(6) This part corrects cross-references and has no fiscal impact.

Explanation of State Revenues:

Explanation of Local Expenditures: (2) This part provides that a governing body of a unit that is participating in PERF is not required to request a survey of the estimated cost of participation, and the PERF board is not required to provide an estimate of the costs of participation, when the unit provides that additional classifications of employees will become members of the fund. For local units, this part will reduce certain costs associated with their participation in PERF. Currently, local units are required to pay for the survey of the estimated cost of participation when there is a change in the Plan, or when a new unit is joining the Plan. The cost of this survey is $325 and covers all employees involved.

(3) This provision specifies that, in the case of PERF members other than state employees, an employer may opt to pay all or a part of the annuity savings account contribution for the employees. This part affects the annuity savings part of the PERF and TRF pensions. The specific fiscal impact will depend upon whether or not the contributions are picked up and paid by the local employer and the number of employees who opt to make the additional contributions. Currently, at the local unit level, for both units participating in PERF and for local school corporations, the 3% pick up is a bargainable item with employers and employees. The employee can make the contributions regardless of whether the employers pick up the additional cost.

(5) This part provides that, even if a firefighter is 36 years of age or older, the firefighter may be reappointed as a member of a department if the firefighter can complete 20 years of service before reaching 60 years of age. It is anticipated that this section would rarely be utilized. However, should a firefighter be reappointed as a result of this change and the fiscal body who reappointed the firefighter permits the firefighter to join the 1937 Firefighters' Pension Fund, there could be a significant increase in accrued liability. For example, if a firefighter is reappointed at age 47 with pay of $41,500 and with ten years of service, then there would be an increase in unfunded accrued liability of about $342,000. There would be no immediate increase in benefit payments in this example, however, since the person would have ten years of additional service before he would be eligible to retire.

If the reappointed firefighter joins the 1977 Fund (rather than the 1937 Fund) then there would be no fiscal impact beyond the 21% of first class salary annual contribution. This is because any service prior to May 1, 1977, would have to be purchased on an actuarial basis.

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund; Teachers' Retirement Fund.

Local Agencies Affected: Units with members in the Public Employees' Retirement Fund; units with members in the 1937 Firefighters' Fund; local school corporations.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF and the 1937 Firefighters' Fund, 576-1508; Denise Jones of Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498.